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CONTENTS

USSR-US-CUBA: Impact of MIG-23	1
ISRAEL-LEBANON: Situation Report	2
WARSAW PACT: Nuclear Declaration	4
INDONESIA: Devaluation of the Rupiah	6
BRIEFS	7

New Zealand

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USSR-US-CUBA: Impact of MIG-23

25X1 [] The USSR is adopting a tough public posture over the MIG-23 presence in Cuba in an apparent effort to blame the contretemps on antidetente forces in the US. Privately, Moscow appears to be trying to convince the US that it will try to be responsive to US concerns. Soviet commentary--both public and private--also indicates that Moscow is aware of the possible impact of the issue on the Strategic Arms Limitation Talks.

25X1 [] On Wednesday TASS replayed Cuban President Castro's strong rejection of US statements of concern about the MIG-23s and his assertion that the aircraft were tactical and "purely defensive." *Pravda* made similar assertions several days ago and charged that unnamed opponents of detente were trying to create "suspicion and ill-will" at a time when the SALT talks were entering a decisive phase.

25X1 [] A Soviet diplomat in Havana took a more conciliatory line in a conversation with a US official on Tuesday. He stated that the problem can be "solved positively" and added that Moscow was aware of specific US concerns. He refused, however, to be drawn out on any specifics of a "solution."

25X1 [] The diplomat's remarks suggest that he was speaking on instructions from the highest levels of the Soviet Politburo, which has probably not decided on a definitive response to the US. His reference to Politburo candidate member Ponomarev's recent remarks on creating the proper conditions for the completion of a SALT treaty suggests the Soviets are aware of the impact of the MIG-23 issue in the US. []

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ISRAEL-LEBANON: Situation Report

//Israel has apparently increased its arms aid to Lebanon's Christian militias and is taking steps to extend its influence all along the Christian-dominated security belt in southern Lebanon. During the two months since renewal of the UN mandate in southern Lebanon, the Israelis have done little to facilitate UN efforts to extend operations to the areas controlled by Lebanese Christian militias under Major Haddad, Israel's ally. The Israelis instead have continued to encourage senior UN officials to work directly with Haddad in an apparent effort to legitimize his presence and autonomy.//

//A source of the US defense attache in Beirut reports that Israeli materiel has been arriving in the Christian-controlled port of Juniyah three times a week since mid-October. This appears to be at least the second boost in Israeli arms deliveries to the Christian militias since bitter fighting erupted between them and the Syrians in June. The Israelis first increased deliveries of tanks and artillery in early August--which allowed the militias to employ heavy equipment for the first time in the clashes in and around Beirut last month.//

//According to sources of the attache, the militias have received some 20 older tanks, several 155-mm howitzers, and an "unusually great amount" of ammunition since mid-October.

Israel also appears to be expanding the training it offers the militias in order to accommodate the new equipment; Christian personnel have long been going to Israel for basic training, and they now are receiving artillery training.//

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[redacted] //The Israelis appear now to be paying the militias' salaries in addition to providing supplies and equipment. There are also indications that the Israelis are retaining and improving fortified positions they held before their incursion into southern Lebanon last March. UN sources report--and the US attache in Beirut observed in some cases--that the Israelis have moved the border fence north in several locations to gain control of advantageous terrain.//

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[redacted] //The Israelis' principal concern, shared by the government and the public alike, is to preserve the security of the Lebanese Christian-controlled buffer along Israel's northern border to ward off Palestinian guerrilla raids. Israelis generally continue to regard UN officials as amenable to Arab and Palestinian pressure and remain skeptical that UN troops would function as effectively as Haddad's forces.//

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[redacted] //The Israeli Government clearly will not be inclined to countenance any change in its Lebanese policies that could expose it to public charges of having weakened in its support for the Christians--with whom many Israelis identify emotionally. [redacted]

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WARSAW PACT: Nuclear Declaration

The Warsaw Pact Political Consultative Committee, which ended a two-day meeting in Moscow yesterday, has called for a meeting of the five nuclear powers--including China--to discuss banning all nuclear weapons from their arsenals. The Consultative Committee, comprised of the Communist party leaders of the seven Warsaw Pact countries, also called for the main military powers to reduce their defense budgets for the next three years.

Summit participants also suggested in a lengthy declaration that, in addition to curbing nuclear weapons, the five nuclear powers should discuss the conversion of nuclear energy to peaceful uses only. China, the only Communist state besides the USSR to possess nuclear weapons, is likely to reject the call as a "scheme" to increase the Soviets' arms superiority over other countries.

The Warsaw Pact declaration also called for talks on limiting weapons systems that have thus far not been covered in East-West arms negotiations. The NATO allies met this week to discuss so-called gray area systems--those not under discussion at SALT or the Mutual and Balanced Force Reduction talks. Although they denounced NATO for wanting to increase military appropriations, the Communist leaders did not threaten to enlarge the Pact's own arsenal.

The declaration denounced US and Western support to dissidents in Communist countries and branded any such effort as interference in internal affairs. It in turn accused the West of violating human rights by supporting so-called reactionary regimes.

The final document does not contain any criticism of China nor does it repeat recent Soviet complaints about the willingness by some Western states to sell arms to China. The avoidance of these issues probably reflect Romanian President Ceausescu's opposition at the meeting to any formulation that would be critical of the Chinese leadership. It is possible that during the session Ceausescu was attacked for his own ties with China, particularly in connection with the visit of Chinese party Chairman Hua Kuo-feng to Romania last summer.

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[] The declaration's failure even to mention the Vietnamese-Kampuchean hostilities may also be due to Ceausescu's objection to the inclusion of touchy issues involving Communist states not represented at the meeting. []

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INDONESIA: Devaluation of the Rupiah

The Indonesian Government has bolstered its security forces because of its concern about possible violent consumer reaction to price increases following the 33-percent devaluation of the rupiah last week. Thus far, however, the situation has been calm, and rumors of widespread disturbances in some major cities have proved unfounded.

About one-quarter of the retail shops in several large cities were closed over the weekend, either because of fear of violence or because merchants had not completed marking up inventories. Prices in Jakarta have increased between 30 and 50 percent, but businessmen expect them to stabilize eventually at a level 25 or 30 percent higher than before the devaluation.

Poorer consumers will for a time escape the brunt of price boosts because of government controls on some basic necessities, including rice and kerosene. Government rice stocks are at record high levels, and rice harvest prospects are good; this should moderate increases in food prices somewhat.

The government also broke the rupiah's formal link to the US dollar and announced a "managed floating rate." After the last devaluation in 1971, Indonesia's large oil earnings buoyed the rupiah, but it had lately become overvalued given the economy's high rate of inflation. As a result, nonoil exports became increasingly uncompetitive, and imported goods displaced locally made products.

Faced with the likelihood of slow growth in oil revenues over the next few years, Indonesia must raise exports of nonoil commodities substantially, especially manufactures, to finance its ambitious development plans. There was no immediate, compelling reason for a devaluation at this time but--with Indonesia's current account in surplus this year and inflation now under control--government officials apparently felt that the economy was at its strongest and was best able to adjust to the temporary disruption of a devaluation.

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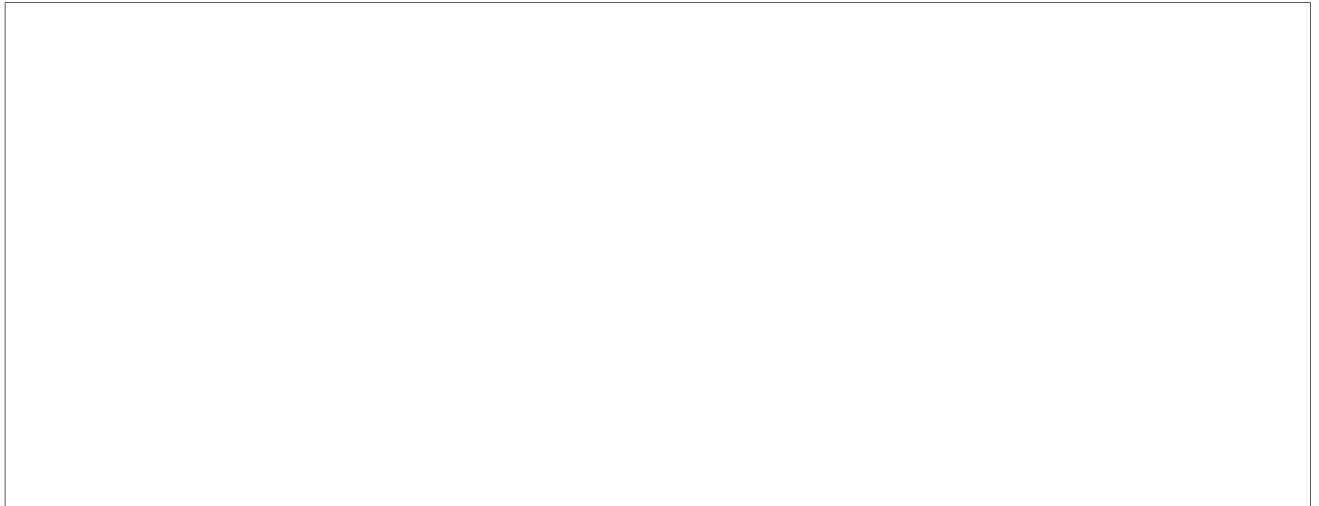
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New Zealand

//The New Zealand electorate is likely to give Prime Minister Muldoon's ruling National Party a vote of confidence over the opposition Labor Party in tomorrow's national election.//

//Neither party has been able to come up with an effective plan to combat continuing economic malaise and the average voter has a "plague-on-both-your-houses" attitude. These factors may enable the small Social Credit Party to play a spoiler's role. The government has 55-seats in the newly enlarged 92-seat parliament.//

//Muldoon has stood by his decision to allow port calls by US nuclear-powered warships--a particularly sensitive issue in New Zealand politics--although he has linked the port calls to increased access for New Zealand beef to the US market. Labor Party leader Rowling has reaffirmed Labor's opposition to visits by US nuclear ships.

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